

# INDUSTRY UPDATE

Biweekly Period Ending May 18, 2002

## Phoenix Metro Area

### **Construction**

San Francisco-based **Bechtel Corp.**, which has 50,000 employees worldwide, **opened** its new **administrative headquarters in Glendale** in early May. The international engineering and construction company is expected to **relocate about 450 accounting, information technology, and human resources positions** from the Bay Area to a 150,000-square-foot office building at the 65-acre **Technology Center in Talavi** (59th Avenue and Bell Road). For more information about potential employment at the Glendale operation, check Bechtel's Internet site ([www.bechtel.com](http://www.bechtel.com)).

A homebuilder synonymous with retirement, **Del Webb**, is **"retiring"** as a **separate entity**. Parent company **Pulte Homes**, which purchased Del Webb last year and kept it as a separate division, is **merging Webb's operations** in Phoenix **into** the Michigan-based company's **overall operations**. The move comes as Pulte reassesses the retirement market, noting that research shows that baby boomers are less inclined to move into the Sun City type of communities. Instead, Pulte expects to build smaller retirement communities, such as two current projects in Massachusetts and New Jersey. Shortly after Del Webb's acquisition in the summer of 2001, several hundred Webb employees were laid off.

The State Transportation Board awarded a **\$48.3 million contract** to **Edward Kraemer & Sons, Inc.** of Phoenix to **build the interchange linking the Loop 101 and Loop 202 freeways in Chandler**, two miles of the Santan Freeway (between McClintock Drive and Dobson Road), and a bridge to carry

Price Road over the Santan Freeway. **Construction** is expected to **begin in June**.

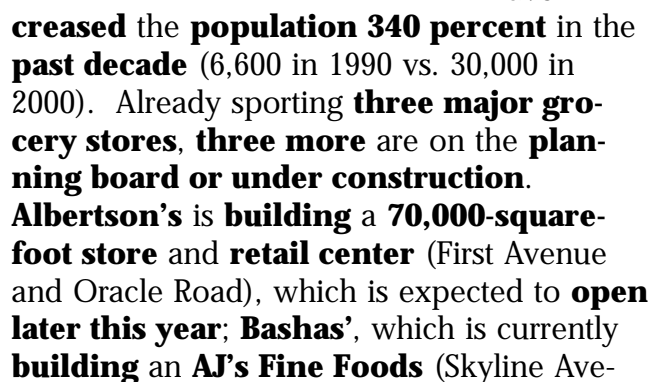
### **Transportation, Communications, and Public Utilities**

Approximately nine months after the Sept. 11 terrorist events, **America West Airlines** expects to have **nearly all of its flights back** on its schedule and **recall** the **last** of its **laid-off workers**. Tempe-based America West dropped nearly 20 percent of its scheduled flights and **laid off about 2,000 employees** (mainly in the Phoenix metro area) following the terrorist attacks. Since then, the airline has steadily been hiring back laid-off workers and restoring its flight schedule. Recently, the troubled carrier has also received top ratings for its on-time performance, something in which it ranked near the bottom of the list in recent years. Despite the return to normal schedule, America West says flight demand is still 10 percent below last year at this time. But it hopes a strong summer tourism period will help improve demand.

### **Trade**

Although **no additional jobs** are expected to be created, Tempe-based **Insight Enterprises** will now be part of the Fortune 500 list of the largest U.S. companies, thanks to its recent **merger with Comark**. Both companies are **direct resellers of computer equipment**, with combined sales of \$3.5 billion in 2001, second only to CDW Computer Centers. But privately held Comark, which is based in Bloomington, Ill., targeted large companies and government entities, while Insight tailored its sales to small- and medium-sized business, government, and general consumers.

The Valley's (and one of the nation's) largest automotive groups will become even larger



nue and Skyline Road), said it will **start work** on its **second Oro Valley store** (a 54,000-square-foot building at Oracle and Golden Ranch roads) in **March 2003**; and **Sears Financial Corp.** has included a **supermarket** in a **commercial site** it plans to develop just north of the Pima County line (Oracle Road and SaddleBrooke Boulevard). Finally, **new drug stores** are being built by **Osco** (La Canada Drive and Lambert Lane) and **Walgreen's** (First Avenue and Tangerine Road).

**Work is beginning** on one **new shopping center**, as **two older retail venues** receive some **cosmetic surgery**, making some minor adjustments to their features. Phoenix-based **Westcor Cos.** has started **site-preparation** work for construction of the upscale 258,000-square-foot **La Encantada** shopping development (Campbell Avenue and Skyline Drive). Expected to **open in October 2003**, the 37-acre specialty shopping center will feature **35 to 40 upscale** national, regional and local **retailers and restaurants** in a Mexican motif that blends into the area's natural surroundings. Trying to stay up with the Jones (or the Garcias, in this case), the 20-year-old **Tucson Mall** will undergo a **\$10 million face-lift** over the next two years. Among changes planned in three phases, mall owner General Growth Properties will bring in an upscale Canadian shoe store (Aldo Shoes) by this fall, help stores upgrade and jazz up storefronts, convert two pools into children play areas, and renovate the food court. Meanwhile, **Park Place** mall (also owned by General Growth) will **add about 10 new stores** over the next several months, including The Sharper Image, a young adult clothing store called Aeropostale, and The Bamboo Club restaurant.

### **Services**

**Southwest Ambulance** is pondering offering a **paid training course** for **emergency medical technicians (EMTs) this fall**, after 20 candidates successfully completed an 180-hour training academy in early May. The students, most of whom will work for South-

west, were chosen out of a field of 42 for the eight-week course taught by MedTech Training Academy. A similar 16-week course for EMTs offered by Pima Community College would cost a student between \$500 and \$600, including books and supplies. For more information about another Southwest training program, call 520-903-2066.

### **Government**

An environmental impact study showed that the Tucson area would not be adversely affected by the **move** of a **search-and-rescue unit** to **Davis-Monthan Air Force Base**. The study, required by the base, said the skies would be more crowded (not noisier) around Tucson from a 300 percent increase in night flights from 12 additional helicopters and 10 refueling planes. A public comment period will follow the release of the 374-page report concerning the move of the unit, which would bring an **additional 1,000 jobs** to the metro area. A final decision will be announced later this year.

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### **Balance of State**

#### **Manufacturing**

To handle a **four-fold increase in employment** (36 to 151) the **past year** and **future expansion in Sierra Vista**, **Northrop Grumman Corp.** has leased a 7,000-square-foot building (2700 E. Fry Blvd.) for its **Information Technology Defense Mission Systems** division. The Los Angeles-based defense company, which is trying to merge with TRW Corp. (see Feb. 23, 2002, *Industry Update*), **provides support** for top-secret projects at the U.S. Army Intelligence Center at **Fort Huachuca**. According to the *Arizona Daily Star*, a **Sierra Vista economic development official** said that **Northrop Grumman** is **currently hiring** and is expected to **"increase its engineering staff by a 'hefty amount.'**" For information about job openings, check out the company's Web site ([www.northropgrummanit.com](http://www.northropgrummanit.com)).

## **Trade**

**Southern Arizona border towns**, such as Yuma, Nogales, and Douglas could be the **beneficiaries**, at least in the near-term, of **new border-protection legislation** passed by Congress and signed by President Bush in early May. The legislation, which received momentum after the Sept. 11 terrorist attacks, **gives Mexican citizens a grace period** (until October 1) to **use old border crossing cards** before replacing them with new high-tech, tamper-proof passports and visas. The net effect of this, in the short-term, will be to allow more Mexicans to shop at U.S. stores across the border. The border bill also increases pay for Border Patrol agents, as well as allows the **Immigration and Naturalization Service** to **hire 200 additional investigators** and **200 more inspectors**.

## **Government**

If Defense Secretary Donald Rumsfeld is successful in **ending the Army's \$11 billion Crusader artillery program**, it could have an **undetermined negative effect** on the **Yuma-area economy**. The 40-ton artillery cannon has been tested at the Army's Yuma Proving Ground since February 2000. About \$2 million has been spent on the program to date, with a current contract with U.S. Defense Industries of Minnesota set to end in April 2003. Rumsfeld has overruled Army officials in his decision to cancel the Crusader, but Congress will have the final say.

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## **Statewide**

As had been expected, most of **Arizona's tourism business suffered** during the **peak winter season**. Coming so close on the heels of the Sept. 11 terrorist events, it was expected that the state, which hits its peak tourism season in the winter, would be especially hard hit. Metro Phoenix hotels and motels had a 69 percent occupancy rate during the first quarter of 2002, down 7 percentage points from a year earlier; Tucson hotels, with 72 percent occupancy, were down 6 points from a year earlier; and rural Ari-

zona showed a slight gain, with occupancy rates rising 2.4 points from a year earlier. But a more telling statistic were revenue declines — Phoenix metro was off 14 percent from a year earlier, Tucson metro was down 12 percent, and the state as a whole was off 11 percent.

## **Miscellaneous**

**Conflicting signals** are coming from the current **Arizona job market**. For example, according to a survey by **Manpower Temporary Services**, **job opportunities** in the state's **two largest metro areas** are looking better. **Forty-three percent of Valley businesses** told Manpower that they **expect to hire more workers** during the **third quarter of 2002**, while about **20 percent of Tucson-area businesses** said they expect to hire additional workers. At the same time, **recruiting at Arizona's two largest universities** has **fallen dramatically** in recent years, with fewer large corporations seeking graduates. In their place are small businesses and nonprofit organizations. The University of Arizona had a 25 percent drop in recruiters during the spring semester, while Arizona State University had nearly 30 percent fewer businesses at a spring job fair. Still, graduates receiving the most attention are in some of the familiar categories — engineering, computers, and health care.

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# **INDUSTRY UPDATE**

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